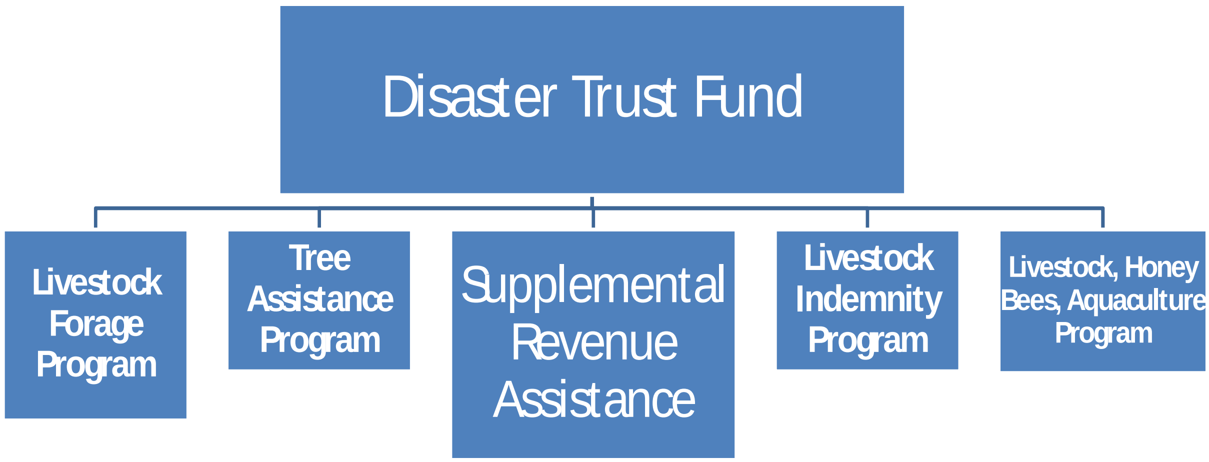
Disaster Trust Fund
Livestock Forage Program
Tree Assistance Program
Supplemental Revenue Assistance
Livestock Indemnity Program
Livestock, Honey Bees, Aquaculture Program

Brief Explanation of Programs

Supplemental Agricultural Disaster Assistance Trust Fund.
Currently, farmers and ranchers may have to wait several years to receive assistance from Congress for agricultural disasters. Farmers and ranchers need a dependable safety net when weather-related disasters strike. The bill creates a Disaster Trust Fund that would finance five programs that comprehensively address agricultural disasters across the nation. These programs include the Supplemental Revenue Program, Livestock Forage Program, Tree Assistance Program, Livestock Indemnity Program, and Emergency Assistance for Livestock, Honeybees, and Farm Raised Fish. The Disaster Trust Fund will be funded through an allocation of tariffs. The transfer of funds to the trust fund will sunset September 30, 2011. Payments would be made for crop years after 2007. This provision is estimated to cost $3.807 billion over five years and $3.807 billion over ten years.

The **Supplemental Revenue Assistance Program (SURE)** covers crop losses due to natural disasters. To receive benefits from SURE, farmers must: 1) carry crop insurance on their entire farm; and 2) be located in a Secretarially declared disaster county or a contiguous county, or show proof of an individual loss of at least 50 percent. Farmers carrying higher levels of insurance will be eligible for higher payments. The Supplemental Revenue Program covers whole-farm crop losses.

The **Livestock Forage Program** provides assistance to ranchers in areas affected by drought. These payments are based on the severity of the drought experienced in the rancher's county. Ranchers in areas with exceptional or extreme droughts will qualify for higher levels of assistance. In order to qualify for assistance ranchers must be located in a county that is experiencing a severe, extreme or exceptional drought condition based upon the Drought Monitor.

The **Tree Assistance Program** provides compensation for specialty crop farmers to replant trees and vines that have been destroyed by natural disasters such as hurricanes, freezing rain, or severe temperatures.

The **Livestock Indemnity Program** provides compensation to ranchers for livestock that are lost due to disasters such as extreme heat, blizzards, hurricanes, or other conditions. Indemnity payments are 75 percent of the fair market value of the livestock.

Emergency Assistance for Livestock, Honeybees, and Farm Raised Fish is a program that addresses unique disasters not adequately covered by any other program within the Trust Fund. This program will provide assistance for unique or isolated disasters such as floods, tornadoes, hurricanes or Colony Collapse Disorder.

Detailed explanation of disaster program

Supplemental Agricultural Disaster Assistance Program Description and Provisions

(For crop years 2008-2011)

Objective:

- Create a supplemental revenue assistance program that is complimentary to crop insurance, is based on "whole farm revenues", accounts for quality losses, and is focused on a farming operation's shallow income losses not covered by the crop insurance program. The program must also provide indemnification for disaster related livestock death losses.

Principles:

- Supplemental assistance must not be a disincentive for purchasing of crop insurance or higher levels of crop insurance.
- Producers may not receive more from crop insurance and supplemental revenue assistance than the projected revenue of normal production for the farm.
- To be eligible for supplemental revenue assistance, linkage shall be established with USDA's crop insurance and noninsured disaster crop assistance (NAP) programs.
- A livestock indemnity program shall be established for disaster related losses.
- Hay production shall be considered a crop for the purpose of this program.
- Grazing protection must be improved with increased support as losses increase.

SUpplemental REvenue (SURE) Assistance payments:

SURE assistance will be available to eligible producers on farms in disaster determined and contiguous counties that have incurred crop production losses and/or crop quality losses.

- *Disaster Counties* are counties that received Secretarial Disaster declarations due to *production losses* resulting directly or indirectly from adverse weather.
  - Secretarial designations are waived for farms with greater than 50% production losses.

SURE Assistance payments will be issued on **60%** of the difference between the *supplemental revenue assistance program guarantee* AND total *farm revenue* (as defined).

- **SURE Assistance Guarantee:**
  The sum obtained by adding:
  - For each insurable commodity, the product obtained by multiplying
    - The higher of: a) the APH history yield; b) the Adjusted APH yield; and c) the counter-cyclical program payment yield,
    - The percentage of crop insurance yield guarantee,
    - The percentage of crop insurance price elected, and
    - 115%
  - For each non-insurable commodity on the farm, the product obtained by multiplying
    - The weighted noninsured crop assistance program yield guarantee,
    - 100% of the NAP established price, and
    - 120%.

  - *Adjustments:*
    - The SURE guarantee may not exceed 90% of the *expected revenue* for the whole farm.
    - Where crop insurance or the NAP makes adjustments for prevented planting or un-harvested production, the adjusted guarantee will be the basis for calculating the SURE guarantee.
    - The Secretary shall establish equitable treatment for non-standard crop insurance products.

- **Farm revenue:**
  The total Farm Revenue of the farm shall be equal to the sum obtained by adding:
  - The *estimated actual value* of the production for each crop produced by multiplying:
    - Actual crop acreage harvested
    - estimated actual yield
    - The national average market price for the marketing year for each commodity, as determined by the Secretary
  - Crop insurance or NAP indemnities accruing to the farm
  - Value of any other natural disaster assistance payments provided by the federal government on a farm for the same loss
  - 15% of Direct Payments accruing to the farm
  - All marketing loan proceeds
  - All counter-cyclical or average crop revenue payments
  - *Adjustments:*
    - The Secretary shall adjust the average market price received:
      - To reflect average quality discounts applied to the local or regional market price of the crop – determined annually
      - To account for crop value reduced to excess moisture resulting from a disaster related condition.

- **Expected crop revenue:** *(Used to calculate the 90% limit of the SURE Assistance Guarantee)*
  The expected crop revenue shall be equal to the sum obtained by adding:
  - For each insured crop, the product obtained by multiplying:
    - The higher of: a) the Actual Production History (APH) yield; b) the Adjusted APH yield; and c) the counter-cyclical program payment yield
    - The acreage planted or prevented from being planted
    - 100% of the insurance price guarantee
  - For each noninsured crop, the product obtained by multiplying:
    - The higher of: a) the Actual Production History (APH) non-insurable program (NAP) yield; b) the Adjusted APH NAP yield; and c) the counter-cyclical program payment yield
    - The acreage planted or prevented from being planted
    - 100% of the NAP yield, and
    - 100% of the NAP protection price

- **Program Unit:** The entire farm constitutes unit structure for this program including all crops in all counties in the farming operation and shared production.

- **Linkage**:
  - To be eligible for permanent disaster assistance, the producer must have purchased or enrolled in:
    - Catastrophic crop insurance (CAT)
    - The Noninsured Assistance Program (NAP) for uninsurable crops.
  - Participation in pilot crop insurance programs is not necessary to establish linkage.
  - The Secretary may provide equitable relief to producers who unintentionally fail to meet the crop insurance or NAP purchase requirements for one or more crops on a farm on a case-by-case basis.
  - The Secretary may waive the crop insurance purchase requirement for limited resource, minority and/or beginning farmers and provide disaster assistance benefits at a level deemed appropriate by the Secretary.

Livestock Forage Program (LFP)
The forage disaster program pays for grazing losses for producers who certify to a loss and resides in a county showing a substantiated drought impact measured by the Drought Monitor.

In General, *LFP Payments are equal to 60% of the lesser of*:
a) The *monthly feed cost* for covered livestock; or
b) The *monthly feed cost for the normal carrying capacity* of the eligible grazing land.

Adjustments:
- 80% LFP payments for livestock reduced in due to extended drought in prior 2 years.
- 50% LFP payments for losses due to fire related restrictions of grazing on federally managed grazing lands.

Monthly feed cost payment is equal to:
- 60% of the feed cost obtained by multiplying:
  a) 30 days;
  b) The feed grain equivalent (based on pounds of corn) necessary to feed applicable livestock; and
  c) The higher of the 12 or 24 month national average price per pound of corn.

Payments as measured by Drought Monitor intensity categories:
- 1 Payment:
  - Rated as D2 (severe drought) for 8 consecutive weeks during the normal grazing period.
- 2 Payments
  - Rated as D3 (extreme drought) at any tine during the normal grazing period.
- 3 Payments
  - Rated as D3 for 4 consecutive weeks or D4 (exceptional drought) at any time during the normal grazing period.

LFP-Fires of Federal land
LFP also covers losses to ranchers whose livestock utilize federal grazing permits. Payments are available to eligible livestock producers whose livestock are prohibited by a Federal agency from grazing due to fire. Payments will be made for the time period beginning on the date the Federal Agency excludes the eligible livestock producer and

ending on the last day of the eligible producer's the Federal lease. The payment rate is 50 percent of the monthly feed costs for the total number of livestock covered by the Federal lease.

Livestock Indemnity Program

The permanent livestock indemnity program is available to eligible producers on farms that have incurred livestock death losses in excess of normal mortality rates during the calendar year due to a disaster, including losses due to hurricanes, floods, blizzards, disease, wildfires, and extreme heat and extreme cold. Indemnity payments may not exceed **75%** of the fair market value for the species of animal.

Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish

$50 million per year is made available for natural disaster related losses not covered by Secretarial designations (emergency feed, water, disease mitigation, etc resulting from blizzards, wildfires, hurricanes, etc.).

Tree Assistance Program

The Secretary shall make payments to eligible orchardists as follows:

- 70% reimbursement for the cost of replanting trees lost due to a natural disaster in excess of 15% adjusted for normal mortality; or
- Sufficient seedlings to reestablish a stand.
- 50% of the cost of pruning, removal and other costs incurred to salvage existing trees or to prepare land to replant trees lost due to a natural disaster in excess of 15% damage and/or mortality adjusted for normal tree damage and/or mortality.

Payment Limitations:

- No eligible producer may receive more than $100,000 in total disaster assistance under this Act.
- Adjusted Gross Income limitations apply.
- Direct attribution of benefits to individuals.

Questions and Answers:

Question: What is different about the Supplemental Disaster Assistance Program and how would it be considered a reform of prior ad hoc measures?
Answer: The Supplemental Disaster Assistance Program represents significant reform over traditional ad hoc programs.

- Because of its focus on “whole farm” losses, farms that have a loss on one crop of the farm won’t receive payment if the rest of the farm had a good year.
- It is fiscally responsible.
    - Budgeted and paid for – no reliance on emergency spending measures or cuts to other important programs.
    - More efficient and targeted use of scarce resources.
- Encourages greater reliance on crop insurance programs.

Question: I read a report that only a few states will benefit from this disaster assistance program, is that true?
Answer: Such reports were based on past history of ad hoc programs, not on the substantially different design of this program. Because SURE Assistance pays on whole farm shallow losses, payments results will change both in terms of who receives benefit and the geography of payments.

Question: Will the standing disaster program encourage the destruction of grassland?
Answer: The Senate proposal incorporates a reliable and significant assistance program for livestock grazing losses – an effective disincentive to conversion of grassland. Because of its design, those who break sod expecting a disaster check on those acres will be disappointed to learn that the crops raised on the rest of the farm will count against them.

Question: Will the disaster program encourage or discourage conservation efforts?
Answer: Farms utilizing traditional cropping systems are first to suffer in a drought. They are more likely to lose the entire crop, get the most crop insurance support, and traditional ad hoc benefits. Meanwhile conservation minded producers often lose only their deductible, receive no crop insurance benefits. SURE Assistance is unlike traditional Ad Hoc measures because of its focus on shallow losses. Consequently, it supports conservation minded producers who have been shortchanged by crop insurance and traditional ad hoc.

Finally, the Livestock Forage Program limits payments to no greater than the USDA determined grazing capacity. Therefore, producers who overgraze rangeland will not be rewarded.

Question: Crop insurance quality loss provisions are inadequate and simply don’t reflect the discounts producers face in the marketplace, especially when widespread quality situations are present. How will the SURE Assistance program help solve this problem?
Answer: Crop insurance utilizes averages of FSA marketing loan program discount schedules to establish tables from which quality adjustments are measured by. Despite

appeals to crop insurance to improve quality loss provisions, the FCIC board of directors appears unwilling to provide quality loss adjustments based on market conditions in the year disaster. They fear that buyers will manipulate the crop insurance system.

This program will account for income losses due to quality related conditions based on actual sales or average local or regional market discounts in existence during the year of loss for inventory production.

Question: Will it be possible for commodity buyers to manipulate this program to their benefit?
Answer: Because SURE Assistance eligibility for a farm is uncertain and because revenues from non-disaster affected crops are valued at marketing year prices, there will be no incentive to sell into deeply discounted seasonal market prices.

Question: Why will this program value marketed production based on the 12 month average market price of the commodity rather than looking at actual sales?
Answer: This program uses the average 12 month market price to ease program administration and so that the program doesn't reward or penalize good or bad marketing decisions.

Question: A principle of this program is not to discourage the purchase of crop insurance and higher levels of crop insurance. Explain how this program accomplishes that goal?
Answer: The first method to encourage participation in crop insurance is requiring linkage to participate in the program. In addition, higher levels of coverage are rewarded because the farm's expected crop revenue and program guarantee increase with higher levels of yield coverage.

It is also important for producers to understand that the SURE Assistance Program is not a replacement for an effective crop insurance program. Crop insurance provides protection on a crop and unit basis. Therefore, while producers are likely to collect based on a peril to one crop or unit, under SURE Assistance, payments do not accrue to the producer until the overall farm revenue drops below the cumulative SURE Assistance revenue guarantee.

Finally, there is simply no guarantee that a county will receive a Secretarial Disaster Declaration to qualify for the program. The only way for a producer of insurable crops is sure he/she is protected is through the purchase of crop insurance.

Question: Revenue crop insurance premiums are often substantially more expensive than for traditional MPCI premiums. How does this program provide an incentive to purchase revenue products over traditional MPCI type coverage?
Answer: The normally higher revenue price guarantee is utilized to calculate the projected revenue and the program guarantee (up to a limit of 90% of projected revenue for all crops). Therefore, revenue protection will result in greater SURE Assistance program protection.

Question: To qualify for the program, a county must meet criteria for a Secretarial Disaster Declaration based on production losses? Aren't all Secretarial declarations based on production losses?
Answer: While many Secretarial Disaster Declarations are based entirely on production loss criteria, other counties may qualify based on inability for a single producer to obtain credit. Under the qualifications outlined for the SURE Assistance program, only counties meeting production loss criteria will qualify.

Question: Why are counties contiguous to Secretarial designated disaster counties eligible for the disaster program?
Answer: Because disaster circumstances rarely follow political boundaries, the SURE Assistance Program includes contiguous counties where producers have been similarly affected.

Question: How does animal agriculture benefit from the Supplemental Agricultural Disaster Assistance program?
Answer: Livestock producers will benefit through four program areas:

- The Livestock Indemnity Program (LIP),
- The Livestock Forage Program (LFP),
- The SURE Assistance Program – for hay production losses, and
- Emergency Assistance for Livestock, Honey bees, and Farm-raised Fish provides flexible assistance for ranchers who suffer from disasters that are not properly covered under any other program such as hurricanes, blizzards, or floods.

Question: Will there be payment limits to this disaster program?
Answer: Yes. Payment limitation guidelines will be similar to prior ad hoc disaster assistance programs at $100,000 for all programs except the Tree Assistance Program which has a separate $100,000 limitation. In addition payments will be directly attributed to individuals and Adjusted Gross Income (AGI) eligibility limitations for general commodity programs will apply.